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TAGS: [PGOV](#) [KDEM](#) [PREL](#) [EC](#)

SUBJECT: ELECTIONS, NOT GOVERNANCE, DRIVING GUTIERREZ

Classified By: Ambassador Kristie A. Kenney, Reasons 1.4 (b), (d)

11. (C) SUMMARY: President Lucio Gutierrez, consumed with improving his Patriotic Society Party's performance in Ecuador's October 17 local elections, is pressuring Cabinet officials to adopt populist, poorly conceived economic measures designed to garner votes. Should the PSP fare poorly in October, as most experts expect, the president might throw blame at his recalcitrant ministers and ultimately clean house. END SUMMARY.

12. (C) Minister of Government Raul Baca, a rare Gutierrez administration bright light, was the Ambassador's guest at breakfast September 24. Baca lamented that Gutierrez lately had cloistered himself with such "inner circle" denizens as brother Gilmar, brother-in-law Napoleon Villa, and cousin Renan Borbua. All were PSP founders and had the boss's ear. They had convinced Gutierrez that his and the PSP's actual popularity dwarfed that reported in opinion polls (an August "Monitor" poll, for example, showed Villa garnering only 1.5 percent in the Pichincha province prefect race). They believed that GoE funds, spent correctly, could buoy the party further in October. Xavier Ledesma, the administration's secretary general but not PSP, shared the three's position, Baca added.

13. (C) Their analyses were ridiculous, the minister decried. In one, the PSP leaders surmised that, by raising one stipend that Ecuador's poor received by \$15, Gutierrez would win the votes of the entire affected population. "Serious" Cabinet officials, such as Finance Minister Mauricio Yopez, Trade Minister Ivonne Baki, and Baca himself, had pointed out holes in the PSP logic, but to little avail; Gutierrez appeared ready to adopt the populist measures. Worse, the president resented the Cabinet's attempts to keep him focused on good governance and sound economics. Should the PSP fare as poorly as Baca thought it would, Gutierrez was likely to blame him and the financial team, claiming that more spending would have delivered more votes. A putsch or mass resignation would surely follow.

14. (C) Baca did not want to go. "We're doing some great things now," he claimed, pointing in particular to recent progress combating trafficking in persons (Septel). But the inner circle, and Gutierrez's faith in them, was making his public service difficult. Baca saw no immediate solution.

15. (C) COMMENT: We have long lamented that PSP party hacks and assorted hangers-on crowd Gutierrez's office and craft his agenda. They are most often behind the president's worst decisions, from visiting disgraced ex-President Abdala Bucaram in Panama to picking fights with respected journalists. Yet Gutierrez mostly has resisted their efforts to derail the GoE's admirable fiscal probity. In working-level outreach and in coming calls on the president, we will emphasize the dangers of populist economic policies while lauding Ecuador's recent fiscal responsibility. END COMMENT.
KENNEY